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22 October 1955

Copy No. 100

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DOS REVIEW  
COMPLETED

**CURRENT INTELLIGENCE BULLETIN**

DOCUMENT NO. 44  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE 15 JAN 1980 REVIEWER: 

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Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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Approved For Release 2004/01/16 : CIA-RDP79T00975A002200440001-8

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1. NEW THREAT OF AFGHAN-PAKISTANI CLASH  
REPORTED

Comment on:

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claim to have evidence that Afghanistan is attempting to incite the Pushtoon tribes to an outburst against Pakistan. The tribes live along both sides of the border. [redacted] is on his way to the frontier area to take charge of counterpreparation.

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Afghanistan has the capability of provoking a small-scale tribal uprising and, stung by recent diplomatic defeats in its dispute with Pakistan, it may attempt such action. Kabul is reported to have ordered on 18 October resumption of the Pushtoonistan propaganda which it had agreed to curtail in its settlement with Pakistan on 15 September.

A local disturbance could be handled easily by Pakistan's quasi-military security forces and loyal tribes without involving either country in war. It is not likely that Kabul will order regular Afghan forces to violate Pakistan's border.

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2. BRITAIN URGES US AID TO EGYPT IN ASWAN DAM PROJECT

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Foreign Secretary Macmillan has instructed the British embassy in Washington to explore on an urgent basis prospects for getting American aid in financing Egypt's Aswan high dam project. Macmillan emphasized the necessity of early action to forestall Soviet moves. Britain, he indicated,

cannot supply all of the needed funds because of its precarious balance of payments position.

Prime Minister Eden has informed the American embassy in London that he regards this proposal as of major importance. He stated that a British-French-German consortium and Nasr were ready to enter into a contract immediately and he felt that if possible this should be done within the coming week.

Eden said the Russian arms offers constituted the "most sinister" event in the East-West conflict "since the Soviets took over Czechoslovakia," and that a Soviet deal with Egypt on the Aswan project would be a "major blow" to the entire Western position in the Middle East.

Comment

As part of its intensified effort to increase influence in the Near East, the USSR recently offered to help Egypt finance the Aswan high dam by means of a 30-year loan for an unspecified amount at 2-percent interest payable in Egyptian rice and cotton.

Nasr has continuously been pushing for Western financing of the Nile development project and, in view of his acceptance of Soviet arms, would probably like to counterbalance Soviet influence by obtaining the loan from Western sources.

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#### 4. DELAY IN FORMATION OF MOROCCAN GOVERNMENT

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[redacted]  
Fathmi ben Slimane, Moroccan premier-designate, agreed to consider forming a Moroccan government only because he believed Resident General Boyer de Latour would be replaced, [redacted]

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[redacted] has told the American consul general in Rabat. Ben Slimane is reported to believe it would be impossible for anyone to make a government function with Boyer de Latour as resident general.

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[redacted] much of the difficulty in forming a government arises from France's insistence on some ministers being French. Such a plan would have no chance of popular acceptance.

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##### Comment

The designation of Ben Slimane as premier followed by several days the announcement that he was Paris' choice to head the Moroccan government. This maneuver, together with the obvious French attempt now being made to isolate the nationalist Istiqlal party, apparently is backfiring. Both the Istiqlal and the extremists are increasing their agitation against France's present policy, and terrorism has substantially increased in the past week.

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5. INDONESIAN NATIONAL PARTY MAY ACCEPT  
COMMUNIST SUPPORT

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[Redacted]

Although National Party leaders have rejected Communist participation in a new cabinet, they apparently are not excluding the possibility of Communist support, according to the American embassy in Djakarta. The embassy believes the main line of Nationalist thinking is to negotiate with the anti-Communist **Masjumi** while leaving the door open for a coalition with the **Nahdlatul Ulama** with Communist parliamentary support.

There appear to be three factions in the National Party which are struggling for leadership. The main differences among them seem to be their attitude toward Communism and the extent to which they are willing to co-operate with the **Masjumi**.

Comment

If final official returns show the National Party retaining its slight lead, one of its members probably will be given the first opportunity to form a new cabinet. His identity, however, and hence the success of negotiations with the **Masjumi**, will be determined by the outcome of the struggle for party leadership.

The Ali cabinet, which held office from 1953 until July 1955 and was led by the left wing of the National Party, included members of the **Nahdlatul Ulama (NU)**, and had strong Communist support. The **NU**, although a conservative Moslem party, appears less concerned over Communism than the **Masjumi**.

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**6. JAPAN DETERMINED TO PROPOSE REDUCTION IN  
CHINA EMBARGO LIST**

Comment on:

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Japan appears determined to propose some relaxation of China trade controls at the next meeting of the Consultative Group of COCOM in Paris

in December. A high Japanese official informed the American embassy on 19 October that Japan was obliged to take this position because of domestic pressure. Great Britain, France, and most of the other COCOM members are also pressing for a relaxation of trade controls.

Japan feels that the China trade is potentially more important to it than to any other COCOM member, and that the government would lose face domestically and internationally if Britain and France were allowed to take the lead. The Japanese have shown willingness to delay final action for several months pending a re-examination of the problem in CHINCOM. Such re-examination would aim at adopting a single embargo list for the entire Sino-Soviet bloc. (Concurred in by ORR)